

Montgomery County Affordable Housing

Meeting 4
September 12, 2008



Agenda

- Welcome and Overview
- Follow-up from May 27th meeting
- Brief Overview of Prior CountyStat Affordable Housing Meetings
 - Defined Affordable Housing
 - Articulated Interagency Organizational Approach
- Identifying Components of Affordable Housing
 - Supply
 - Cost
 - Demand
- Constructing Measures to Demonstrate Success
- Developing a Timeline for Reporting Progress
- Wrap-up and Follow-Up



CountyStat Principles

- Require Data-Driven Performance
- Promote Strategic Governance
- Increase Government Transparency
- Foster a Culture of Accountability



Follow Up Item Progress

■ Special Needs Housing Performance Comparison

- Classify the County's Special Needs Program outcomes with regards to the length of time Permanent Supportive Housing clients stay in the program, and the extent to which Transitional Housing clients secure permanent housing

Complete

■ Impact of Income Change on Special Needs Clients Ability to Secure Permanent Housing

- Calculate the change in income for clients leaving Permanent Supportive, Transitional, and Emergency Shelter housing and to what extent increased income has enabled clients to obtain permanent housing

Complete

■ Unit and Client Data Reconciliation

- Determine the possibility of reconciling the number of units produced/preserved and the number of clients served to produce a single number for households served by County housing programs
- Identify the steps necessary to produce a single number for households served

**In
Progress**



Follow Up Item Progress

■ Unit Compared to Long Term Vouchers Costs

- Identify the total cost to the County for preservation/production of affordable units including direct expenses from the Housing Initiative Fund (HIF), lost tax revenues, and estimated additional outlays for maintenance through the life of the control period

**In
Progress**

■ Costs Associated With Preserving Expiring Units

- Identify the units that are coming out of a control period and are under threat of being lost to the affordable housing stock, and determine the cost to preserve these units

**In
Progress**

■ MPDU Data Reconciliation

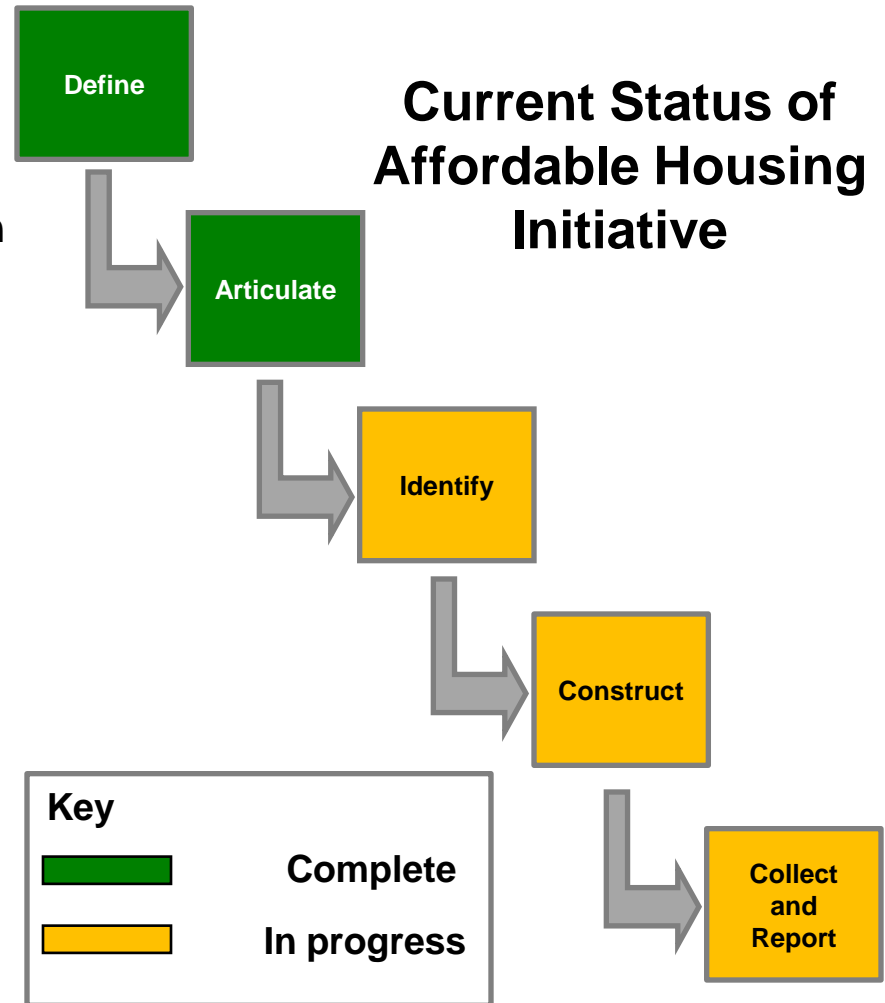
- Determine how many of HOC's units are counted in the number of expiring MPDUs and reconcile the data
- CountyStat provided DHCA data highlighting the gap between how many MPDUs HOC has purchased and those tracked in DHCA's records

**In
Progress**



Brief Overview of Prior CountyStat Affordable Housing Meetings: Create a Universal Strategy for Addressing Affordable Housing in Montgomery County

- Step 1: Define and identify key aspects of affordable housing across departments.
- Step 2: Articulate an organizational approach and work plan that allows for clear linkage between overall policies and operational realities.
- Step 3: Identify which existing components of affordable housing offer the greatest net gain for the investment.
- Step 4: Construct measures to demonstrate performance of these investments relative to meeting the demand for affordable housing.
- Step 5: Collect and report data for continual analysis.



Defined Affordable Housing

- **Definition:** Providing residents with affordable housing options that require them to pay no more than 30% of their income towards housing costs
- **Measurable Indicator:** Percentage of residents that are paying greater than 30% of income for housing costs are considered housing burden
- **Focus of Initiative:** Targeting households making no more than 120% of the area median income (AMI)
- **Initiative Stakeholders:** Department of Housing and Community Affairs (DHCA); Housing Opportunity Commission (HOC); Department of Health and Human Services (HHS); Maryland-National Capital Park and Planning Commission (M-NCPPC)

Creation of a universal strategy for addressing the affordable housing demand in Montgomery County ensures the greatest net gain for the County's investment.



Articulated Organizational Approach for Addressing Affordable Housing

Each Initiative stakeholder has individual priorities and target populations that must be aligned in order to collect meaningful data that demonstrates performance

■ Stakeholder Priorities:

- **DHCA:** Through funding, technical assistance and regulatory controls, DHCA' mission is to maintain the maximum number of existing affordable housing units and facilitate the addition of new units to the inventory through production and preservation.
- **HOC:** Operates, maintains, finances, produces and develops affordable housing, and administers Federal housing voucher, public housing and supportive services programs.
- **HHS:** Serves special needs and homeless populations and maintain housing stability for vulnerable households. Develops and implement strategies to remedy and prevent homelessness and increase the development of supportive, accessible and affordable housing for special needs populations.
- **M-NCPPC:** Planning Department's efforts are in support of the County's affordable housing programs, with M-NCPPC's outputs becoming the County's inputs



Articulated Organizational Approach for Addressing Affordable Housing

Each Initiative stakeholder has individual priorities and target populations that must be aligned in order to collect meaningful data that demonstrates performance

▪ Stakeholder Targeted Populations:

- **DHCA:** Households with incomes between 30-120% of AMI
- **HOC:** Households with incomes up to 50% of AMI
- **HHS:** Households with incomes up to 60% of AMI (Special needs populations: homeless, persons with mental health, substance abuse issues or developmental disabilities, transitioning youth, and seniors)
- **M-NCPPC:** Income eligible Department and County employees.



Articulated Organizational Approach: Stakeholder Affordable Housing Related Programs

DHCA

- Housing Initiative Fund
- HOME Partnership Program
- CDBG Program
- MPDU, Workforce and Productivity Housing Programs

HOC

- Public Housing & Housing Choice Vouchers (Section 8)
- Special Needs Housing: Elderly, Disabled
- Other Affordable Units: Managed/Scattered
- Homeownership Programs

M-NCPPC

- Park Housing
- Master Plan and Development Review processes

HHS

- Rental Assistance Programs: RAP, SHRAP
- Energy Assistance Program
- Emergency & Intervention Services
- Homeless & Shelter Services



Articulated Organizational Approach: Task Force Recommendations

■ **Preservation**

- Short Term Property Acquisition Fund
- Revolving Equity Fund
- Private sector

■ **Production**

- Add “increase affordable housing” as a new objective in the Master Plans
- Investigate the use of affordable housing impact fee on all new non-residential development
- Reduce parking requirements for housing developments
- Develop a comprehensive inventory of all publicly owned site and properties appropriate for affordable housing

■ **Adopt Regulatory Reform**

- Expedite regulatory reviews
- Permit accessory apartments without requiring special exception permits

■ **Achieve Community Acceptance**

■ **Affordable Housing Preservation and Production**

- Review and assess the affordable housing preservation and production goals as noted in DHCA’s July 2001 County Housing Policy
- Address special needs populations and the elderly by working with HHS, advocates, and housing providers

■ **Home Purchase Assistance for Public Employees**

- Create a program to provide temporary abatement of property taxes, transfer taxes, and recordation fees for eligible County Employees who purchase a home in the County



Identifying Components of Affordable Housing

- **Supply of Affordable Housing**

- Data on current supply of affordable housing will be maintained by DHCA and HOC and reported by fiscal year

- **Affordable Housing Cost Comparison**

- Analysis of Unit Preservation versus Long Term Voucher Provision is currently incomplete due to a lack of calculations for lost tax revenues and unit maintenance costs

- **Demand for Affordable Housing**

- Regardless of the target population chosen, demand for affordable housing in Montgomery County will likely exceed supply
- Understanding the relative need among populations allows for the targeting of resources



Identifying Components of Affordable Housing: Supply of Affordable Units

	Existing	Expiring	New Completed/ Preserved	Pending
Extremely Low Income < 30%	2,131	N/A	70	7
Very Low Income 31-50%	2,218	54	N/A	11
Low Income 51-80%	4,734	192	105	35
Moderate Income	1,212	211	34	591
Total	10,295	457	209	644

It is essential that accurate numbers of supply can be continually updated in order to align need with inventory.



Identifying Components of Affordable Housing: Cost Comparison

Comparison of Unit Preservation versus Long Term Voucher Provision

	Number of Units/ Vouchers	Total Development Costs	Total County Cost	County Percent of Total Costs	County Subsidized \$ per Unit	Voucher Per Year	Years Preserved	Cost Per Unit/ Voucher
Produced FY08 Basis	103	\$10,347,506	\$6,932,000	67%	\$67,214	NA	40	\$67,214
Preserved FY08 Basis	34	\$1,969,700	\$1,969,700	100%	\$57,932	NA	30-40	\$57,932
Vouchers (Federally Financed)	5,654	None	None	NA	NA	\$11,537*	NA	\$11,537

While federal vouchers are a cost free option for the County, the creation of a voucher-based system in Montgomery County would require a cost benefit analysis of production/preservation costs to voucher creation.



Note: Vouchers are federally financed and thus have no cost to the County

* FY08 Average Montgomery County voucher cost

Identifying Components of Affordable Housing: Cost Comparison - DHCA Calculation of Preservation

$$\text{Cost} = \frac{\text{County Cost}}{\text{Number of Units}}$$

County Cost = Appropriated money from HIF used to:

- Subsidize Acquisition
- Fund Rehabilitation
- Soft Costs Related to Development

of Units = Units funded through HIF, occupied in FY08

Other Variable Not Included: Lost tax revenue and cost of rehab through the life of the control period

A more detailed cost calculation would include lost tax revenue and long term maintenance costs.



Identifying Components of Affordable Housing: Cost Comparison - DHCA Calculation of Preservation

Methodology Pros	Methodology Cons
Breaks out the number of units produced per year based on when the unit comes online	Payment in Lieu of Taxes (PILOTS) not included in calculation (accounts for \$800-\$1,200 per unit/year)
Calculates present HIF expenditures to bring units online	Does not include the cost of additional rehab that is generally needed in years 15-20
	Does not include cost to administer programs
	Nothing preventing clients with vouchers or other housing support from occupying affordable units

Including lost tax revenue and estimates of long term maintenance costs would alter the cost differential among these options.



Identifying Components of Affordable Housing: Cost Comparison – Preserved/Produced v. Voucher

	Pros	Cons
Preserved or Produced	<ul style="list-style-type: none">▪ Increased housing stock▪ Appreciation of unit▪ Existing stock is not influenced by yearly budget▪ Yearly certification of resident qualification	<ul style="list-style-type: none">▪ High initial costs▪ Spatial distribution limited by property availability
Voucher	<ul style="list-style-type: none">▪ Yearly certification of client qualification▪ More responsive to spatial aspect of demand	<ul style="list-style-type: none">▪ Number of vouchers provided yearly dependent on budget▪ Cost of vouchers will need to increase to offset the difference in price between affordable and market rents▪ Does not increase the housing stock▪ Voucher costs continue to rise

Underlying a discussion on how to calculate the cost of County vouchers is determining if vouchers are the correct direction for the County to align resources.



Identifying Components of Affordable Housing: Capturing Demand for Affordable Housing

Step 1: Align target populations

Who within each agency's target community will be the central focus of the Initiative?

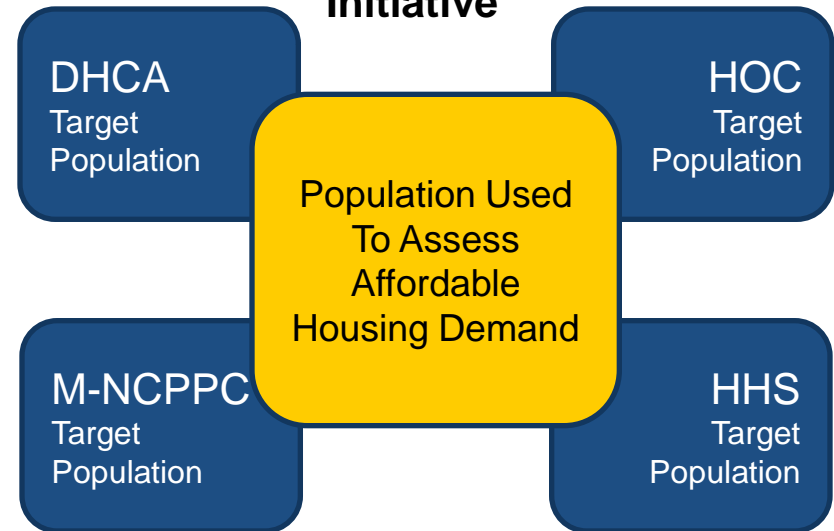
Step 2: Prioritize resources within targeted Populations

How will limited funds be prioritized in a manner the provides the highest net gains?

Step 3: Report on County's ability to meet demand

How well is the County meeting the demand of targeted populations?

Alignment of Target Populations within Initiative



Each affordable housing initiative stakeholder has to align their target population in order to accurately assess overall demand



Constructing Measures to Demonstrate Performance

- **Supply Measures**

- Measure 1: Number of Affordable Units
- Measure 2: Number of Clients Served
- Measure 3: Housing Quality
- Measure 4: Special Needs Housing
- Measure 5: Funds Spent on Affordable Housing Units
- Measure 6: At Risk Units Preserved

- **Potential Demand Measures**

- Development of potential demand measures is contingent on the creation of a defined population to access its demand

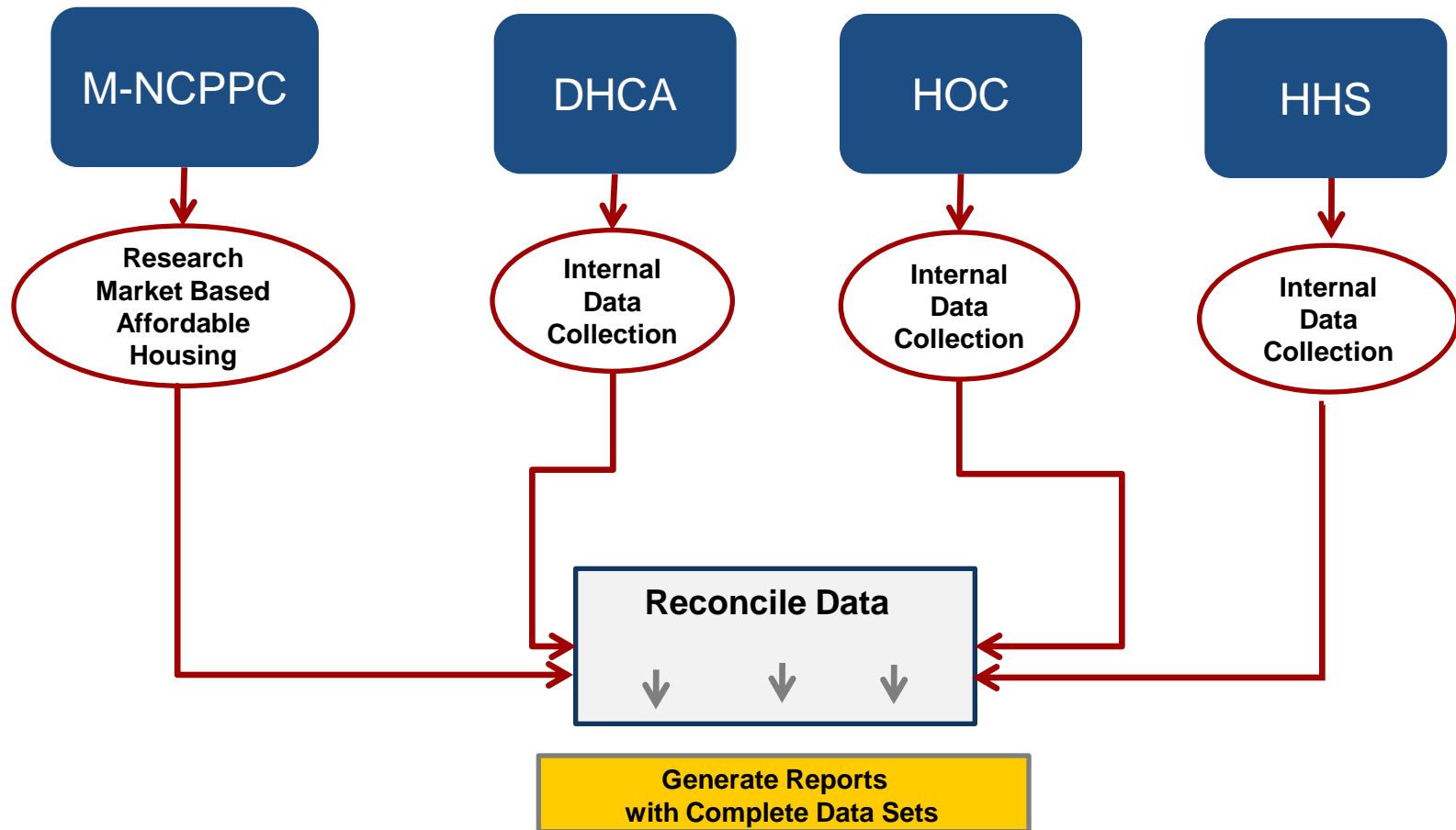
- **Potential Overall Success Headline Measures**

- Calculations of cost effectiveness by client or unit
- Percentage of identified target population assisted by County affordable housing programs

Headline measures should demonstrate the County's overall success in meeting its residents' need for affordable housing



Collecting and Reporting Data for Continual Analysis



Creation of a uniform data reporting mechanism allows for the comparison of supply and demand across agencies and demonstrates an accurate picture of how well the County is performing.



Wrap-Up

- Confirmation of follow-up items
- Time frame for next meeting

